

Teacher Lesson Plan

Theme 3: Fairness in Taxes
Lesson 3: Progressive Taxes

Time Frame

One to three class periods

Curriculum Area(s)

- Civics/Government
- Economics
- Technology

Purpose

To help students understand that progressive taxes can have different effects on different income groups

Objectives

Students will be able to

- define and give an example of a progressive tax.
- explain how a progressive tax takes a larger share of income from high-income groups than from low-income groups.

Materials

Online

[Student Lesson—Progressive Taxes](#)
[Activity 1: Progressive Taxes and You](#)
[Activity 2: Comparing U.S. and Swedish Tax Rates](#)
[Activity 3: How Much Will You Earn?](#)
[Assessment—Progressive Taxes](#)
[Assessment Solutions—Progressive Taxes](#)

Print (PDF)

[Info Sheet—How Progressive Taxes Affect Different Income Levels](#)
[Worksheet—Applying Progressive Taxes](#)
[Worksheet Solutions—Applying Progressive Taxes](#)
[Assessment—Progressive Taxes](#)
[Assessment Solutions—Progressive Taxes](#)
[Complete Lesson Pack](#)

Web Links

[U.S. Department of Labor’s Occupational Outlook Handbook](http://www.bls.gov/oco/) <http://www.bls.gov/oco/>
[Directory of Tax Sites for Other Countries](http://www.taxsites.com/international.html) <http://www.taxsites.com/international.html>
[Taxes in Sweden](http://www.sweden.se/templates/FactSheet_0_0_0_3927.asp) http://www.sweden.se/templates/FactSheet_0_0_0_3927.asp

Background

Some forms of taxes are considered progressive. **Progressive taxes** take more from those able to pay more. Because this method is based on the **ability to pay**, it is considered the fairest means of taxation. People with higher incomes pay larger amounts of tax because their taxable income is larger. Thus, a greater portion of their income is paid to taxes; the tax rate increases as the taxable income increases.

The progressive principle, applied to our federal system of taxation, imposes a tax on wealth and income. Wealth includes assets such as houses, cars, stocks, bonds, and savings accounts. Income refers to wages, interest and dividends, or other payments. States, too, use progressive tax rates to tax the income of their residents. Inheritance taxes also use this progressive principle.

Key Terms

ability to pay—A concept of tax fairness that states that people with different amounts of wealth or different amounts of income should pay tax at different rates. Wealth includes assets such as houses, cars, stocks, bonds, and savings accounts. Income includes wages, interest and dividends, and other payments.

progressive tax—A tax that takes a larger percentage of income from high-income groups than from low-income groups.

Opening the Lesson

Print and distribute Info Sheet—How Progressive Taxes Affect Different Income Levels. Tell students that they represent all the taxpayers of a country called Progressia. Organize students into three groups representing low, middle, and upper income levels. Write \$10,000 on the board, and assign one group that amount as an average income. Then write \$50,000 on the board, and tell another group that they make about \$50,000 a year. Finally, write \$100,000 on the board, and tell the third group that they represent the country's higher-income taxpayers. Discuss with students the fairness of Progressia's income taxes to taxpayers in their group. Have them consider the amount of income taxes being paid by the other groups as well. Ask students to tell how the progressive principle reduces the burden on the lower-income group.

Next, tell students that a relative recently passed away and left them double the amount of their present income. Have each group calculate what the tax on their inheritance will be, based on the rates shown on the Info Sheet. Discuss why this kind of tax is based on the progressive principle.

Ask students:

1. At what level is the tax rate capped?

\$3 million

2. How does the progressive rate help distribute inherited wealth?

It takes more taxes from those who inherit the most money.

If students have completed Lesson 2, Regressive Taxes, have them tell how their income taxes, as shown on the Info Sheet, differ from the amounts they paid as citizens of Regressia. Discuss whether the distribution of taxes in Progressia seems fairer than the system used in Regressia.

Developing the Lesson

Have students suggest other tax rates that could replace those shown on the charts on the Info Sheet. Help students determine how much the three groups would pay by using the following formula:

Income \times rate (percent) = amount of tax.

For example, $\$50,000 \times 25\% (.25) = \$12,500$.

Using the Info Sheet chart as a model, write the new taxes paid according to the students' suggested tax rates. Remind students that, although they may experiment with the tax rates as they wish, they must keep the tax progressive—the percentage of income paid in tax must increase as the amount of income increases. As students develop their suggested tax rates, ask how each would affect the three income groups.

1. At what point do the rates become so high that people's lifestyles and businesses would be threatened?

Answers will vary.

2. If the owners of businesses could not afford to keep as many employees, how would the tax affect lower-income and middle-income groups?

These groups might suffer because they could lose their jobs.

Online Activities

Direct students to [Student Lesson—Progressive Taxes](#).

Have students complete one or more of the following activities:

- [Activity 1: Progressive Taxes and You](#)—Show what percentage of each person’s income would go toward tax in a progressive system by completing pie graphs.
- [Activity 2: Comparing U.S. and Swedish Tax Rates](#)—Find out how tax rates in Sweden compare with those in the United States.
- [Activity 3: How Much Will You Earn?](#)—Research your future career to discover your earning potential.

Print Activity

Print [Worksheet—Applying Progressive Taxes](#) and distribute it to students.

[Worksheet Solutions—Applying Progressive Taxes](#)

Classroom Activity

Organize students into small groups to make posters that illustrate a progressive tax at rates of 10 percent, 20 percent, and 30 percent. Groups may choose incomes representing low-income, middle-income, and upper-income levels to which the given rates apply. Explain to students that they may use graphs, charts, line graphs, bar graphs, or pictographs to illustrate the tax and its effect on different income groups. Remind them to include the actual amount of tax each group would pay. Have groups display and compare their posters.

Concluding the Lesson

Ask students why a progressive tax is thought to be a good way to tax income. Discuss whether progressive taxes are also a good choice for other situations, such as property taxes.

Online Assessment

Direct students to complete [Assessment—Progressive Taxes](#) for this lesson.

[Assessment Solutions—Progressive Taxes](#)

Print Assessment

Print [Assessment—Progressive Taxes](#), and have students complete it on paper.

[Assessment Solutions—Progressive Taxes](#)

Links

Go to [Theme 3, Lesson 5](#) to compare progressive, regressive, and proportional tax systems.